GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:192
ANSWERED ON:18.02.2009
EFFECT OF INFLATION ON ECONOMY
Singh Shri Mohan

Will the Minister of FINANCE be pleased to state:

(a) the rate of inflation during the last thirteen months,month-wise; and

(b) the extent to which the growing rate of inflation has affected the annual economic growth rate of the country during the said period?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b): The month-wise inflation in terms of WPI during the last thirteen months and the annual GDP growth rates at factor cost are as below :

Table 1: Month-wise rate of inflation

Month/Year	Inflation rate (%)
January,2008	4.5
February,2008	5.3
March,2008	7.5
April,2008	8.0
May,2008	8.9
June,2008	11.8
July,2008	12.4
August,2008	12.8
September,2008	12.3
October,2008	11.1
November,2008	8.5
December,2008(P)	6.5
January,2009(P)	5.2

P: Provisional

Table 2: Annual GDP growth rates

Year	GDP at factor cost (in %) at	
	Current prices	Constant prices
2007-08(QE)	14.3	9.0
2008-09(AE)	15.5	7.1

QE: Quick Estimates; AE: Advance Estimates

Increase in global commodity prices of crude oil,iron ore,metals and some food items and increased domestic demand relative to availability,led to increase in inflation in 2008.However, containment of inflation along with maintenance of high economic growth is a priority for the Government.Anti-inflationary policies of the Government include strict fiscal discipline, rationalization of duties of essential items,effective supply-demand management of essential commodities through liberal tariff and trade policies,and strengthening the public distribution system.The monetary policy of the Reserve Bank of India supplements Government's efforts by being conducive to growth,while simultaneously curbing inflationary expectations arising out of uncertainties in the domestic and international environment.However,the decline in annual GDP growth rate in 2008-09 is more due to the impact of the global economic slowdown in the second half of 2008.There was a significant deceleration in inflation during the recent months from its peak of 12.8 per cent in August, 2008 to 5.2 per cent in January 2009 and the declining trend is expected to continue further.The Government has taken counter-steps to stimulate the economy through general and sector-specific stimulus packages.